

Message Text

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ACTION XMB-07

INFO OCT-01 AF-10 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 IGA-02

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R 251413 Z JUN 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 0028

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E. O. 11652 N/A

TAGS: EFIN, NI

SUBJECT: DEBT DELINQUENCY - EXIM

REF: STATE 121698

1. BEGIN SUMMARY: EMBASSY WILL PROMPTLY BRING DELINQUENCIES ON BOEING CREDITS TO ATTENTION OF APPROPRIATE AUTHORITIES HERE, AND WE BELIEVE THERE NO DOUBT BUT THAT THESE ARREARAGES WILL BE SETTLED PROMPTLY, WITHIN 3-6 WEEKS. IN INTERIM URGE THAT EXIM FOREGO ANY PENALTY MEASURES SUCH AS SUSPENSION OF AVAILABILITY OF OUTSTANDING CREDITS TO NIGERIA AIRWAYS. A SUSPENSION WOULD ALMOST CERTAINLY NOT SPEED UP PAYMENTS BUT WOULD QUITE LIKELY JEOPARDIZE CHANCES OF OTHER U. S. FIRMS NOW ATTEMPTING TO NEGOTIATE SUBSTANTIAL CONTRACTS IN AVIATION FIELD, E. G., AIRPORT DEVELOPEMENT PROGRAM (150 MILLION DOLLAR PROJECT) AND TWA CONTRACT. END SUMMARY .

2. EMBASSY IS ALTOGETHER SYMPATHETIC WITH PROBLEMS OF EXIM AND OTHER U. S. CREDIT- EXTENDING AGENCIES IN SECURING REGULAR SERVICING OF THEIR DEBTS FROM NIGERIA. WE WILL TAKE UP THE CURRENT DELINQUENCY PROMPTLY WITH BOTH MINISTRY OF TRANSPORT AND MINISTRY OF FINANCE AS WE HAVE HAD TO DO REGULARLY OVR PAST TWO YEARS

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IN CONNECTION WITH OTHER DEBTS SERVIVING PROBLEMS. DEPARTMENT WILL RECALL THAT AFTER SUCH INTERVENTION NIGERIA USUALLY PAYS QUITE QUICKLY. AS EMBASSY NOTED IN MEMO COMMENTING ON STATE 48653 CONCERNING WORLD-WIDE DEBT SERVICING PROBLEM, NIGERIAN RECORD ON DEBT SERVICING IN PARADOXICAL. (COPIES THIS MEMO WERE SENT IN MARCH TO AF/ NI AND EB/ IMA AND ARE NOW BEING REPEATED BY POUCH TO EXIM AND COMMERCE.) TOP OFFICIALS HERE ARE CONVINCED THAT NIGERIA HAS A FIRST- CLASS RECORD IN MEETING ITS FINANCIAL OBLIGATIONS IN SPITE OF ENORMOUS PROBLEMS THAT AROSE IN CONNECTION WITH FINANCING CIVIL WAR. THEY REGARD DELAYS SUCH AS THIS ONE AS MINOR BLEMISHES ON A GENERALLY CREDITABLE AND BRIGHT RECORD. FMG HAS BEEN QUITE PREPARED TO SETTLE DELINQUENCIES PROMPTLY ONCE THEY COME TO ATTENTION OF SENIOR OFFICIALS BUT HAS BEEN DISINCLINED TO TAKE MEASURES TO IMPROVE SYSTEM TO AVOID RECURRENCE OF PROBLEM.

3. EMBASSY ALSO RECOGNIZES THAT EXIM' S PROBLEMS WITH THESE AIRWAYS CREDITS EXTEND BEYOND THE PAYMENT DELINQUENCIES. NIGERIA AIRWAYS CHAIRMAN FRANCIS OBI HAS REQUESTED AND USUALLY RECEIVED SPECIAL TREATMENT AT MANY STATES OF NEGOTIATING FOREIGN CREDITS. ONE COULD REASONABLY EXPECT THAT AFTER NUMEROUS ACCOMMODATIONS BY EXIM THAT HE WOULD MAKE A SPECIAL EFFORT TO LIVE UP TO HIS END OF THE BARGAIN. IT IS CERTAINLY UNDERSTANDABLE THAT EXIM' S PATIENCE WITH MOT ON THSE CREDITS WOULD BE RUNNING LOW.

4. EMBASSY ALSO SHARES THE BELIEF REFLECTED IN THE REFERENCED CABLE THAT A GENERALLY FIRMER LINE IN SOME OF OUR NEGOTIATIONS WIT THE NIGERIANS SEEMS TO BE IN ORDER. WHEN FMG ASKS FOR SPECIAL FAVORS WE CERTAINLY SHOULD BE ABLE TO EXPECT THAT IN RETURN OUR OWN NEEDS ARE GIVEN REASONABLE CONSIDERATION. EMBASSY IS PREPARED IN APPROPRIATE AREAS TO INSIST UPON MORE RECIPROCITY. HOWEVER, GIVEN LOCAL SENSITIVITIES AND PRIDE, WE HAVE TO CHOOSE OUR CASES CAREFULLY, INSURING THAT ANY INSISTANCE UPON QUID PRO QUO DOES INDEED OFFER GOOD PROSPECT OF FURTHERING OUR GOALS.

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5. IN PRESENT CASE WE STRONGLY BELIEVE THAT USING SUSPENSION AS A DEVICE TO BRING ABOUT REGULAR PAYMENTS WOULD NOT BE EFFECTIVE. IT IS QUITE UNLIKELY EITHER TO (A) ACCELERATE REPAYMENT OR (B) SERVE AS AN EFFECTIVE LESSON THAT WOULD DETR FUTURE ARREARAGES. FACT OF THE MATTER IS THAT NIGERIANS ARE QUITE LIKELY TO MAKE THIS PAYMENT REASONABLY QUICKLY AS SOON AS THE

ARREARAGE IS BROUGHT TO THE ATTENTION OF THE PROPER PEOPLE. THEY KNOW THAT PROBLEM POPS UP ALL TOO FREQUENTLY IN DEALINGS WITH ALL OR MOST OF THEIR CREDITORS, BUT TYX ARE NOT INCLINED TO GIVE THIS MATTER THE PRIORITY REQUIRED TO STREIGHTEN IT OUT.

6. MOREOVER, A SUSPENSION, WE BELIEVE, WOULD RISK PREDICTABLE COUNTER-PRODUCTIVE RESULTS. FRANCIS OBI WILL ALMOST CERTAINLY REGARD IT AN ANOTHER ATTEMPT BY THE " GIANT" (SEE LAGOS 2815) TO LEAN ON THIS WEAK, DEVELOPING COUNTRY IN AN AREA WHERE IT IS CURRENTLY HAVING GREAT DIFFICULTIES. HE WILL COMPARE OUR ACTION UNFAVORABLY WITH THAT OF OTHER CREDITORS WHO PUT UP WITH WHAT HE AND MOST NIGERIAN OFFICIALS REGARD AS LITTLE MORE THAN MINOR ANNOYANCES. HE BELIEVES STRONGLY AND HE ARGUES FORCEFULLY THAT " FOREIGNERS MUST NOT REGARD THE FMG AS A POTENTIAL BAD DEBTOR. IT HAS THE RESOURCES TO SERVICE ITS DEBTS AND ITS RECORD INDICATES THAT IF FULLY LIVES UP TO THESE OBLIGATIONS."

7 TED FIEDLER OF COMMERCE HAS A SAMPLE OF HOW TWA'S NAME HAS BEEN BLACKENED HERE BECAUSE OF OBI'S VIEW OF THAT COMPANY'S FINANCIAL REQUIREMENTS. WHEN FIEDLER WAS TALKING WITH O. A. ADESOYE, A FORMER MEMBER OF NIGERIA AIRWAYS BOARD, THE LATTER REPEATED IN DETAIL OBI'S THESIS OF THE GIANT GIVING AN ULTIMATUM TO POOR STRUGGLING NIGERIA. THE CHIEF LOSERS FROM A SUSPENSION WOULD NOT BE NIGERIA BUT INSTEAD WOULD BE FIRMS LIKE TWA AND NORTHROP- PAGE, WHICH ARE TRYING TO NEGOTIATE CONTRACTS RUNNING INTO MANY TENS OF MILLIONS OF DOLLARS IN THE CIVIL AVIATION FIELD IN NIGERIA. MOREOVER, THE AMERICAN SUPPLIERS SUCH AS KIRKPATRICK, WHO EXPECT TO BE PAID FROM THE CREDIT EXTENSION, WOULD ALSO SUFFER FURTHER DELAYS.

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8. RECOMMENDATION. URGE THAT SUSPENSION BE DELAYED IF NOT YET APPLIED, OR LIFTED PROMPTLY IF IT IS ALREADY IN EFFECT. IN MEANTIME WE WILL GET AFTER APPROPRIATE AUTHORITIES AND ARE QUITE CONFIDENT THAT PAYMENT WILL BE FORTHCOMING REASONABLY QUICKLY.
REINHARDT

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